GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:2683
ANSWERED ON:31.08.2007
EDUCATION LOAN
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Will the Minister of FINANCE be pleased to state:

(a) whether the Banks insist for security/guarantee for the grant of Education loans;

(b) whether this is violation of the directions and instructions issued by the Government;

(c) if so, the details of action taken by the Government in this regard;

(d) whether the Government proposes to provide loans to reserved category students at cheaper rates through the Banks; and

(e) if so, the details thereof?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL)

(a), (b) & (c) : As per Model Education Loan Scheme, 2004, circulated by Indian Banks` Association to banks, the security/ guarantee norms for grant of education loans have been provided as under:

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Upto Rs.4 lakh  No security


Above Rs.4 lakh  Collateral in the form of a suitable third party guarantee.
and upto Rs.7.5 lakh The bank may, at its discretion, waive third party guarantee,
   if satisfied with the net-worth/means of parent executing the
   document as `joint borrower`.


Above Rs.7.5 lakh Collateral security of suitable value or suitable third party
   guarantee along with the assignment of future income of the
   student for payment of installments.
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Information received from the Banks indicates that they are complying with the security/ guarantee norms laid in the Model Education Loan Scheme, 2004.

(d) & (e) : As per Model Education Loan Scheme, 2004, the banks are to charge interest on education loan up to Rs.4 lakh at Benchmark Prime Lending Rate (BPLR) and above Rs.4 lakh at BPLR+1 per cent. The BPLR is fixed by the banks themselves with the approval of their Boards and not by the RBI or the Government. The Model Education Loan Scheme 2004, does not provide for loans at rates other than those indicated above for reserve category students.